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cultural states will have to reckon, but this depends largely on how sympathetically and intelligently business interests as a whole deal with the situation.

THE FARMER IS NOT BANKRUPT BUT
IS BETTER EQUIPPED THAN A YEAR
AGO

The intrinsic wealth of the soil is still the heritage of the grain farmer. Sun and rain will give their bounty. The constant need of foodstuffs prevails. Out of a strained financial situation has come a broader understanding between the banker and his customers, with a larger faith in one another. With the first harvest of the new era past and its effects serving to loosen the financial tension, affairs in the farm country are becoming settled. Progress may be slow but every month

brings nearer the establishment of stability. The farmer is not bankrupt nor is he going to be; he is doing his full part with the clearest vision he can command to attain a full measure of betterment. He should be given credit for earnest effort and fair intent. Basically he is better equipped today than a year ago, for he has passed through the period of readjustment and henceforth will be on sounder footing. And that, after all, is the condition that every class of business must reach before it can go forward safely. The farmer took the plunge first, and logically he should be first to see clearly his way ahead. That he has rounded the turn in his path is the belief of those most familiar with his affairs; henceforth he should steadily gain in faith and works.

The Way Out for Cotton Growers

By W. ARTHUR SHELTON

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THE general decline in prices during the past twelve months probably inflicted severer losses on cotton growers than on any other class of farmers or on any other economic group in the United States. From June, 1920 to June, 1921, the spot price of middling upland cotton declined from 43 cents a pound to 10 cents. The larger part of the decline occurred from August to December, after the cost of the crop had been largely incurred and before any considerable portion of it had been marketed. A large part of the expense of the crop had been met by credit instead of cash, and the proceeds of the crop have amounted to far less than the cost.

THE RESULTS OF PRICE MALADJUSTMENT

The market became so demoralized that if growers had generally attempted to sell the crop as fast as ginned, the price would have been so low as to have made it impossible to settle any considerable part of the obligations to creditors. Bank loans were restricted so generally that only a small amount of borrowing on cotton was possible. Growers met the conditions by selling somewhat less than the usual amount of cotton during the ginning period, by asking creditors for supplies to extend the term of credit, and by ceasing to purchase anything that could be dis-

pensed with. This reduction of purchases to a minimum was not voluntary. The farmer could not buy when his chief product could not be sold for a price at all commensurate with costs incurred before the price of cotton was known.

Not only did the cotton grower receive only one-third to one-fourth what he expected for the cotton and seed of the 1920 crop, but when supplies for the 1921 crop were needed, he also found that the price of many supplies had changed but slightly. It is little wonder, then, that the grower has reduced the cotton acreage to 72 per cent of that of 1920, the amount of fertilizer used to some 50 per cent and the other supplies to the lowest figure on record. The result has been that manufacturers of fertilizers have lost heavily and that agricultural implement factories are almost universally closed.

How can the maladjustment of prices be adjusted so as to give the cotton grower his usual profit and those who furnish him supplies their normal amount of business?

MORE COTTON AND COTTON PRODUCTS FOR A WORLD MARKET THE FUTURE TREND OF DEVELOPMENT

A brief review of the development of cotton growing in the United States during the past forty years seems necessary to avoid undue pessimism from the present painful situation. A broad outlook on the industrial development of the world is also an aid in disregarding the limitations of local confines. If America would be first, her leading export must be sold in the markets of the other 1,500 million people as well as in the markets of her own 100 millions. The cotton fiber and the products of cotton seed are susceptible of many uses not yet adopted. Many uses have recently been made of these commodities that will extend the

world's demand for them, and no doubt many more will soon be made. Temporarily, the only way out for the grower has seemed to be the reduction of the crop and the restriction of competition by means of a tariff; but for the decades of the future, the open sesame is through the growth of more cotton and the manufacture of cotton and cottonseed products for a large part of the world's population. Instead of an 8,400,000 bale crop, as forecast for this season, four times that amount should be grown per year within two or three decades.

The growth in cotton production in the United States during the past forty years is indicated by the percentage of change from the previous five-year period for each of the five-year periods shown below:

<i>Years</i>		<i>Per cent</i>
1881-5	plus	13.8
1886-90	"	20.5
1891-5	"	10.0
1896-1900	"	24.4
1901-5	"	7.6
1906-10	"	9.0
1911-15	"	19.1
1916-20	minus	15.7

For every quinquennial period except that of the Great War, there was a material increase in the amount of cotton produced in the United States, and it seems reasonable to suppose that that tendency will be resumed in the first five-year period after the war, notwithstanding the boll weevil and the program of cotton growing in the British Empire. For 1920 the production was well over 13,000,000 bales, while the five-year average, including 1920, was only 11,808,000 running bales. That the production will continue to increase at the rate of something like 15 per cent per quinquennial period seems likely. The annual average production was approximately 14,000,000 running bales for 1911-15,

and it should be, roughly, 16,000,000 bales for the next five years after this year. Even this allows for a loss of six years of growth, for the war, and the industrial depression following it.

INCREASED PROFITS THROUGH BETTER COTTON

The growth of more and better cotton per acre and a larger crop in the South, seems to me the way out for the future. The South is tending toward diversified farming; but the uncultivated area is still large, and the production of cotton per acre can be doubled and trebled. Mr. David R. Coker has called attention to the larger profit from better cotton by a recent statement that during the past ten years Darlington County, S. C., has produced roughly 350,000 bales of staple cotton, which has sold for an average of 10 cents a pound above the price of ordinary upland grades, and resulted in a gain of \$17,500,000 to growers of staple cotton in that county. He also states that only one per cent of the cotton marketed at Hartsville, S. C., during 1920-21 was short staple, that the growth of staple cotton has spread to adjoining counties, and that the crop of staple cotton for South Carolina in 1920 was approximately 150,000 bales.¹ It seems, therefore, that cotton growers can increase profits greatly by growing better staples of cotton. By the growth of wider varieties of cotton its uses can also be extended.

CURTAILED OUTPUT THE INEVITABLE METHOD OF TEMPORARY ADJUST- MENT

While the growth of more and better cotton is the way out for the future, the immediate problems of readjust-

ment have been met by an unprecedented reduction of 28.4 per cent in the acreage devoted to the cotton crop. It is necessary to compare the reduction of 1915 and 1892 to find figures at all comparable with the reduction in acreage in 1921. In 1915 the reduction was 14.7 per cent, and in 1892 it was 16.5 per cent. The reduction of 1921 was almost twice as large as the greatest previous reduction. The use this year of, roughly, only 50 per cent of the fertilizer consumed last year and only 45 per cent of that of 1914 is also wholly unprecedented. With favorable weather, a crop of ten million bales seems possible, but with a drought in Texas, a crop of 7,000,000 bales is also possible. By the reduction in the crop, the growers have made it possible to sell the remainder of the crop of 1920 and the new crop at higher prices than would have obtained if a larger crop had been grown. But if the scarcity of cotton during the next two years leads to a price above the cost of production, the higher price will stimulate the growth of cotton in the United States and other countries and will lead to keener competition from growers in foreign countries.

It would seem to be in keeping with the interests of the American growers if extremes could be avoided. If the present short crop should lead to 25 cent cotton, large production would follow, which would tend toward very low prices again. Nevertheless, growers have had little option in their reduction of this crop. The industrial depression lead to a reduction in mill consumption and a greater reduction in purchases by mills. Cotton was left in the hands of growers, and funds were not available for supplies for the crop of 1921. Even if they had been, the prices of supplies were not in alignment with the price of cotton. The grower neither had the money to purchase sup-

¹ Paper read by David R. Coker at World Cotton Conference at Liverpool, England, June, 1921.

plies nor could he afford to pay the prices prevailing.

The problem of readjustment of prices, rates and wages on a relative basis is perhaps the most difficult of the problems yet to be solved. Reduction in many prices and wages offer encouragement, but other prices, wages, and railway rates should be reduced in order to be in proper relation to cotton and cottonseed prices. Cotton prices are below the pre-war level, but freight rates and many wages are 100 per cent and more above the 1913 average. If freight rates are not reduced, the loss will be divided between the grower and the consumer, because railway transportation is largely monopolistic. But if wages and prices of farm supplies are not reduced to the proper relation with prices of farm products, farm products will eventually advance to a proper relation with wages and supplies. This result may be long delayed for a complete adjustment, but under the law of volitional competition it is finally inevitable. The sudden response of cotton growers to the conditions confronting them has been unprecedented, but even cotton growers are subject to economic laws.

A DECREASED WORLD SUPPLY OF COTTON WITH THE PROSPECT OF INCREASED WORLD DEMAND

An erroneous opinion concerning the world's stocks of cotton and the probable consumption during the next few years seems to be current. We have been told that the world's visible stocks of cotton were approximately 5,000,000 bales on July 31, 1920, but that they will probably be some 12 or 13 million bales on July 31, 1921.² With this statement it is interesting to compare the world's stocks of cotton as compiled by the Commercial and Financial

Chronicle. The Chronicle shows that the visible stocks of July 1, 1920, were 5,422,916 bales and of July 1, 1921, 6,523,124 bales, or 1,100,000 bales more than for a year ago. There seems to be an increase in the invisible supply in the United States of somewhat more than 2,000,000 bales, but the total increase in the world's visible and invisible stocks during the past year seems likely to be less than 3,500,000 bales instead of 7,500,000 bales as some would have us believe. The United States crop of 1921 is now estimated at 8,400,000 bales, or almost 5,000,000 bales fewer than for 1920. If to this reduction a decrease in production of 2,500,000 bales in other countries be added, the decrease in the world's production will be 7,500,000 bales from that of 1920. It would also seem that as soon as the industrial depression passes its acute stage, consumption should increase materially and should probably be equal to the pre-war normal for the calendar year 1922. Cotton spindleage was greatly increased in countries other than Europe during the war, and European mills are tending toward normal factory consumption. The world is also rather bare of textiles, and it is believed that during the next two years even Central Europe will both manufacture and consume at least a pre-war normal amount of cotton textiles. The world's industry and commerce is going forward as soon as the unprecedented industrial readjustment has run its course. It is not war destruction in Europe but the industrial depression throughout the world that is curtailing manufacturing at present.

THE WAY OUT FOR COTTON GROWERS LIES IN A STABILIZATION OF PRICES

It would seem, therefore, that the cotton growers have met their conditions in the only way they could—by

² Market Reporter, U. S. Dept. of Agriculture, Vol. 3, No. 5.

reducing the size of the cotton crop. Of course, this action will lead to gyrations in the cotton market, higher cost to consumers, waste to everybody, and the marking of time in industrial development. But such unprecedented general price declines as occurred during the past year can lead only to the cessation of industrial development. It is tragic that we have not learned to avoid such general price changes, but industrial stagnation and maladjustment inevitably follow such price declines. The cotton grower has restricted production as an emergency measure, but the permanent solution of his difficulties must come through a decline in prices of his supplies or an advance in prices of his products. A re-alignment of prices in proper relation must be accomplished. Whether farm products will finally be adjusted upward, or other prices, wages, and rates adjusted downward, depends largely on what the general price level, or the purchasing power of our monetary unit finally becomes, and this problem is now largely under the control of the central banking system.

The prices of agricultural implements and many other manufactured articles are still far above the level of prices of farm products, and especially of cotton and cotton seed. The average price of farm products, as

reported by the Bureau of Labor Statistics for June, was only 13 per cent above the 1913 average, while the price of agricultural implements is more than double what it was in 1913. Cloths and clothing for May were 81 per cent above the 1913 average, fuel, 94 per cent, building materials, 102 per cent, and furniture and other house furnishings, 162 per cent. These prices must be reduced or prices of farm products will rise. The prices of both cotton and cotton seed are below the 1913 average. But if one may estimate the effect of scarcity on prices, it would not seem that either could long remain below the pre-war level while other prices remain so far above, especially if such shortage of cotton and cotton seed does occur as is now forecast.

The cotton grower has done what he can to re-align cotton prices in proper relation to other prices. He has succeeded temporarily, but the permanent solution must come through a readjustment of all prices on some level. At present that level seems uncertain. During the period of painful readjustment, a considerable portion of which seems to be in the future, higher prices for cotton must be paid; but when other prices become adjusted, cotton will again be produced at lower prices and in whatever amounts the world demands.

The Automotive Industry

A Study of the Facts of Automobile Production and Consumption in the United States

By F. R. PLEASANTON

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THE development of automotive transportation has been an economic achievement without parallel in the history of industry. In twenty-odd years, since its modest inception in

the late nineties, the automotive industry has revolutionized transportation on the highways, and has won, by merit of service, a position in the life of the nation, that is second only to steel.